SOUTH AUSTRALIAN WINE INDUSTRY
ASSOCIATION INCORPORATED

Bentleys
THINKING AHEAD

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MEDIA RELEASE

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Study reveals drop in business confidence, but spike in innovation among South Australian wine businesses

The fourth annual South Australian Wine Industry Snapshot – a research collaboration of Bentleys SA/NT and the South Australian Wine Industry Association (SAWIA) – was released today.

Almost half (47%) of Snapshot participants indicated they are worried about the future of their business, compared to only 25% last year.

But while confidence among local wine businesses has declined amid a broad range of challenges experienced in 2020, innovation and evolution has spiked.

“2020 has been the most disruptive year in recent history for South Australia’s wine industry,” said Brian Smedley, Chief Executive of SAWIA.

“COVID-19 and China investigations into anti-dumping have followed a series of environmental set-backs, generating uncertainty and making planning for the future more difficult.

“However, in reviewing the challenges experienced by wine businesses this year, we have uncovered many inspiring examples of innovation, evolution and hope.”

Tim Siebert, Partner, Bentleys SA/NT said the annual study aimed to support continued growth and resilience, by providing wine businesses with insights to support decision making, and to compare and monitor performance.

“Today, we call on all wine businesses of South Australia to continue to demonstrate the world-leading practices that enable resilience and sustained growth,” Tim Siebert said.

About the participants

Sixty-three South Australian wine businesses participated in this year’s study, many of which were in the growth or mature phase of their lifecycle, privately owned, smaller in size, and growing their own grapes for winemaking purposes.

The South Australian wine industry today

After a long, harsh dry period, the participants commenced the year with savage bushfires and unfavourable weather events, which translated to difficult vintage conditions and lower than normal utilisation levels of processing plants.

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When the pandemic struck, the economic impact of COVID-19 was immediate, further impacting concerns of business cash flow and profitability.

Business confidence has dropped for the second consecutive year. The primary reason for the drop in business confidence this year was uncertainty in relation to the duration and impact of the pandemic, along with Australia's changed relationship with China.

The support offered by both federal and state governments has been recognised by this year's participants as a valuable lifeline that has enabled the continued operation of many of the participating businesses. However, the full effect of this year's events may not be known until after key stimulus measures cease in 2021.

Despite the challenges and adversity, the study revealed there is appetite and opportunity for continued business advancement and growth.

"Businesses are reviewing and revitalising their business models to pursue new growth strategies, such as dealing direct with customers. For some, this evolution has led to greater success and profitability," said Tim Siebert.

The South Australian wine industry tomorrow

Unlike snapshots of previous years, and reflective of our time and the need to adapt, many of this year's participants indicated a commitment to diversification – the riskiest of all growth strategies involving new products for new markets.

Notwithstanding, the strategic focus of many wine businesses over the coming two years is primarily to improve profit margins and to sell more product to local markets.

In response to changing market conditions, the 'ability to innovate' was recognised by participants among the top three factors for success over the coming years.

While many wine businesses believed it was 'extremely important' for their business to embark on a phase of innovation and evolution, fewer were actually investing in innovation in a significant way.

Only a small proportion of wine businesses had an effective business continuity plan in place, indicating significant risk exposure to future environmental events.

"I cannot emphasise enough the importance of having an effective business continuity plan in place to help businesses respond to and endure unforeseen events, like COVID-19 or extreme weather events," said Tim Siebert.

"We hope this report serves to highlight this risk management issue, and encourages wine businesses to build an effective plan that will protect them from future events."

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"This may well be a defining time for South Australia's wine businesses," said Brian Smedley.

"I encourage all wine businesses to remain vigilant and continue to adapt as leaders in domestic and global wine markets. Despite all the events of 2020, we must remain confident as an industry."

Key statistics

- 63 wine businesses participated in this study, and of these:
  - 62% were private companies
  - 64% were winemakers, as opposed to wine grape growers
  - 40% were in the growth phase of their business lifecycle.
- Almost half (47%) of participants indicated they are worried about the future of their business, compared to only 25% last year.
- Two thirds (65%) of participants have indicated that their business confidence has decreased this year, compared to 27% last year.
- 30% of participants do not have a business continuity plan in place to help them with managing unforeseen events. 22% of respondents have effectively applied a business continuity plan to manage the events of the past 12 months.
- The environmental events that have had the most damaging impact on wine businesses were COVID-19 (negative impact for 87% of participants) and drought (66%).
- COVID-19 has negatively impacted business profitability (63%) and 'the ability to service domestic and international markets' (71%).
- Most (82%) of participating wine businesses drew valuable support from the Federal Government's JobKeeper payments through to 28 September 2020.
- Three quarters (74%) of participants indicated some level of concern for the mental health of staff in their workplace.
- Two thirds (69%) of participants are focusing on improving profit margins, and 61% are focusing on market penetration (existing products for existing markets) over the next two years.
- This year, for the first time, 'the ability to innovate' was included among the leading key success factors, selected by 13% of participants.
- 61% of participants recognise that it is very or extremely important for their business to embark on a phase of innovation and evolution.

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About Bentleys SA/NT

Bentleys SA/NT is an integrated business services and advisory firm helping businesses and individuals achieve their goals and aspirations, so they can get where they want to be.

Our advisory, accounting and audit services are strengthened by our expanding range of specialisations, enabling us to support the broad needs of individuals and enterprises at every stage of the business lifecycle. In addition to accounting, audit and taxation services, our specialisations include strategic business advisory, financial planning and wealth management including self-managed super funds, taxation consulting, R&D taxation incentive services, business and residential finance and corporate recovery services.

Bentleys SA/NT supports businesses and individuals throughout South Australia and the Northern Territory, and is a member of both the Bentleys Network and Allinial Global. With our local expertise, national presence and international capability, we work with enterprises at every stage of their business journey to help them prepare for tomorrow.

About the South Australian Wine Industry Association

From its beginnings in 1840, the South Australian Wine Industry Association is the peak body representing the viticultural and wine making interests of the state. The association's core functions are to provide leadership and strategy, to represent the industry and lobby on its behalf, and to provide leadership advice and support to South Australian grape and wine businesses, assisting them to prosper within a dynamic and diverse industry.

SAWIA has specialty services in government relations and advocacy, industrial and employee relations, work, health and safety, environment and consumer wine education.

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Media contacts

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